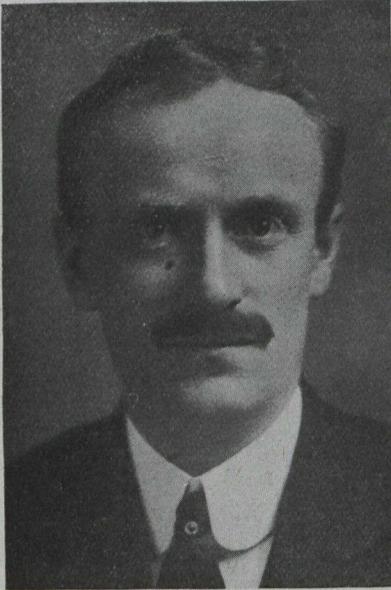


Incidence and Principles of Municipal Taxation in Canada

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On account of the many difficulties which are now being experienced by our Municipalities in the matter of Tax Collections and of the many and various disputes and complaints that have of late arisen over the question of equitable assessment, I have been asked by the Editor to add my quota to what has already been written on this very important question.

I will go quickly to the main points of my paper by taking the case of a complete municipality. By a complete municipality, I mean a city or a town which has within itself

all the essential elements of a city or a town, viz.:

- 1.—The most important centre of a district or stretch of country, to which all the inhabitants of such district gravitate and upon which they depend for their manifold wants in the way of supplies of all sorts.
- 2.—Sufficient trades and industries to keep in constant employment all or most of its working population, necessary to the welfare of the municipality.
- 3.—Entirely independent from the welfare and prosperity of any adjoining municipality; not a suburban district.
- 4.—Independent of the welfare of any one business, or of even one industry.

Objects of Municipal Taxation.

It is obvious that one should at the outset examine into the nature of the objects of taxation, I will here enumerate some of the principal ones, viz.: To provide means for:—

1. Administration of Public Services:

- Organization and Control, Machinery for election or appointment of governing body (Mayor, Aldermen, etc.) and appointment of executive officers, etc.
- Public Works—Maintenance of Police, Drainage System, Sidewalks, Parks, etc.
- Public Safety—Maintenance of Police and Fire Protection Departments. Administration of Justice, etc.
- Public Health—Garbage—removal and destruction. Prevention and control of contagious disease. Hospitals, etc.
- Public Assistance—Relief of poor. Subsidizing or maintenance of charitable institutions.
- Educational—Provision and maintenance of Primary, Secondary and Technical Schools and Colleges. Subventions to evening Continuation Schools and University Extension Educational Courses, etc.

2—Acquisition of Property and Other Assets Necessary to the efficient administration of the foregoing services, viz.:

- Land, Buildings, Local Improvements of all sorts, Plant, Machinery, etc., etc.
- Loan Charges, Sinking Fund Instalments or repayments in respect of all assets acquired out of borrowed money.

3—Providing, Operating or Subsidizing Public Utilities of all sorts.

We must now consider the most equitable distribution of the burden of providing for all these municipal requirements. Every private resident and commercial business in the municipality enjoys in some measure the benefits of the municipal services provided, and we can therefore accept the principle that at least every householder and every occupant of any building should make some contribution to the funds of the municipality.

Property Owners (including owners of franchises of all sorts) obtain special benefits from the municipal services provided, entirely distinct from that of the resident.

Special Classes of Residents receive special benefits from some of the municipal services.

We may therefore say that it would be equitable to divide the municipality's taxes into three classes, viz.:

- 1—Householders or occupation tax.
- 2—Property taxes.
- 3—Special or miscellaneous taxes.

Tax on Householders and Occupants of Buildings.

Here in Canada this is more or less a new departure. The Province of Quebec, however, has provided for the imposition of a tax on tenants and occupants (excluding resident proprietors). (See R.S.Q. 1909, Art. 5732.) viz.:

1—The Council may impose and levy annually:—

On all tenants paying rent in the municipality, an Annual Tax not exceeding eight cents in the dollar on the amount of their rent.

2—Every person, occupying property or part of any property of which he is neither the owner nor the lessee, shall be liable for the payment of this tax. 3 Ed. B, c. 38, s. 476."

The limitation to 8 per cent annual value of occupied property, clearly indicates that this form of taxation was never intended to provide the main funds of a municipality.

There is again an obvious injustice in excluding the resident proprietor in the capacity of his own tenant, who is equally chargeable with this tax as the ordinary tenant.

There is much wisdom in imposing taxes on real estate, whether improved and occupied or not, principally perhaps by obliging proprietors to develop same.

The financial crisis of the past few years must, however, have thoroughly demonstrated to all municipal administrators how unsteady and fluctuating is this form of taxation, particularly noticeable have been these fluctuations in Western Canada.

By imposing a Tax on the net annual value of all properties to take care of a great share of the municipal annual expenditure, there would be brought home to all residents, their individual responsibility in the maintenance and administration of the municipality, and there would thus be created a more intelligent and civic spirit; all the residents would take more notice how their money was being spent.

The fixing of the net annual value of Public Utility Undertakings involve very expert knowledge. In England (where the bulk of municipal taxes, are upon occupation), much has been written upon the assessing of:—

RAILWAYS, TRAMWAYS, GAS UNDERTAKINGS, LIGHTING UNDERTAKINGS, WATER UNDERTAKINGS, MINES and QUARRYS.—No franchises are ever granted which would exempt any one of these utilities from liability to municipal assessment. Further, all municipal enterprises are also entirely liable to these assessments.

Such works as Faraday or Penfold on Rating, deal very exhaustively with these subjects, and although both works are very formidable studies to undertake, they would more than repay the municipal administrator to carefully study same.

The principle of assessing the Public Utilities upon their gross profits seems very equitable and workable.

Net Annual Value.—An interpretation of this expression might here be appropriate. The English interpretation has often been defined in various statutes, and reads after this style:—

"The amount a reasonable tenant would pay as annual rent for any hereditament, less the amount of Annual Taxes charged against same, together with an allowance for repairs and depreciation sufficient to keep the said hereditament in such a condition as to command such rent." Or, in other words, Annual Rent, Less Annual Tax and Average annual repairs and depreciation.